

## Many top contractors take a cut in volume, watch profits shrink

The 400 largest U.S. contractors in 1970 saw a 3% decrease in their total dollar volume for the first time in the eight-year history of The ENR 400. Their 1970 awards totaled \$32.4 billion, down \$1.1 billion from 1969's record year.

Foreign work dropped 9% while domestic work was off less than 1%. Design and construct contracts fell 10%, reflecting mainly sharp declines in industrial work in the U.S. and abroad.

For the first time, domestic contract volume of The ENR 400 failed to grow at a greater rate than the total U.S. construction market, which rose about 3% last year for all work except homebuilding. The slump in foreign work accentuated the growth problems of many of the larger firms.

The entire \$1-billion decline in last year's new business can be traced to the fortunes of the top 25 contractors, 12 of whom had a drop in new business.

An exception was Bechtel Corp., which increased its volume to \$1.5 billion to take the No. 1 position. But that was nearly 11% less than Brown & Root's high for 1969's ENR 400. The minimum volume of the 400 rose only about 5% in 1970, less than half the average rise in contractors' selling prices.

Another significant change in 1970 was less concentration of contract vol-

ume within the 400. The top 10% accounted for 54% of The ENR 400's total contract volume compared to a 55.5% share in 1969. The dollar volume signed up by this upper 10% dropped 6% from a year ago—double the overall decline in The ENR 400's volume. The number of \$100 million contractors was squeezed to 55 from 62 in 1969.

These trends—lower average volume, lower top and less concentration within—reflect fewer big jobs available. That happened because of a slump in industrial construction awards (other than powerplants) and because record cost inflation resulted in very high prices on jobs that were awarded while forcing many other projects to be postponed or dropped.

**Volume up for 67%.** Two out of three contractors scored increases in dollar volume. Of the 131 whose volume dropped in 1970, many are among the leading 100.

Industrial constructors were hit hardest by the decline in their market. Twelve had less business in 1970 and only eight saw their dollar volume rise. With 26 industrial constructors reporting both in 1969 and 1970, their total volume fell 27%.

Building contractors boosted their number 7% to win almost half of The ENR 400 positions.

\$50 million or more in volume advanced both in rank and in dollar volume. The majority of those with volumes under \$50 million dropped.

Heavy and highway contractors also scored an increase in total dollar volume and the number of them winning position on The ENR 400 increased proportionately.

Crowded out of the 1970 roster were 23 building and heavy contractors. But the ones that remained did more business so their total slipped only 4%.

**Eight return to top 10.** Eight of the 10 largest U.S. contractors were also numbered among 1969's top 10. Bechtel recovered the No. 1 slot from Brown & Root. Kaiser Engineers moved up to the No. 3 position, ousting Ebasco, which dropped to No. 23 (listed under Boise Cascade). Guy F. Atkinson-Walsh Construction Co. jumped to No. 5 from the No. 26 rank it held in 1969. Lummus returned to the top 10 for the first time since 1966. Carl A. Morse slipped two notches to No. 7, and Rust Engineering retains the No. 9 slot for the second consecutive year.

**Leaders pace fast growth.** Growth in dollar volume among leaders has been tremendous over the past five years. Bechtel's 1970 volume is 96% greater than in 1965, despite a decline in 1969 and despite its sharply lower foreign volume in 1970. Foreign work has often totaled about 25% of Bechtel's volume, but last year it dropped 72%.

Several of the 10 leaders have outpaced Bechtel's growth. Kaiser Engineers, United Engineers and Constructors, Guy F. Atkinson-Walsh and Carl A. Morse have each tripled their 1965 volume, although Morse had no volume increase last year. Work done abroad accounts for more than half of Kaiser's growth, but United Engineers and Morse report no foreign work.

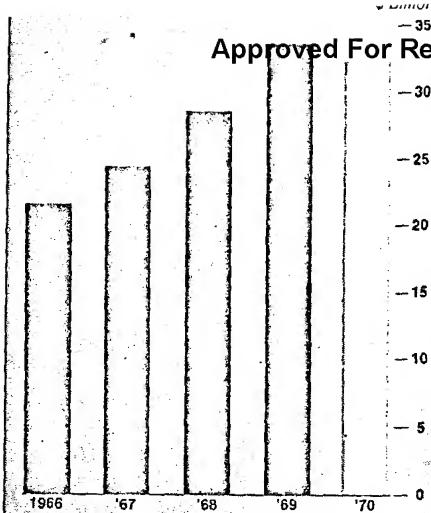
All Bechtel's work is design and construct, and the other leaders, except for three that do no design and construct, report that about half of their contracts are design and construct.

**Domestic and foreign work lags.** From 1965 to 1970, total construction contracts, other than homebuilding, have increased 53%. For that five-year period, the total domestic volume of the 400 soared 80%.

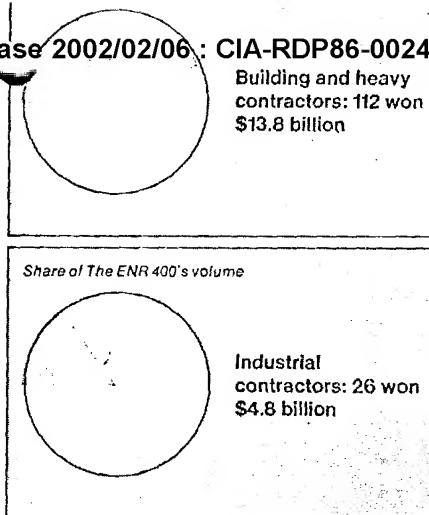
While building awards held steady in 1970, builders, industrial constructors and those doing both building and heavy work saw their volume drop 1.7%. The brunt of the drop was borne by the industrial constructors. Their domestic volume fell 23.8%.

### Builders make greatest margin on equity

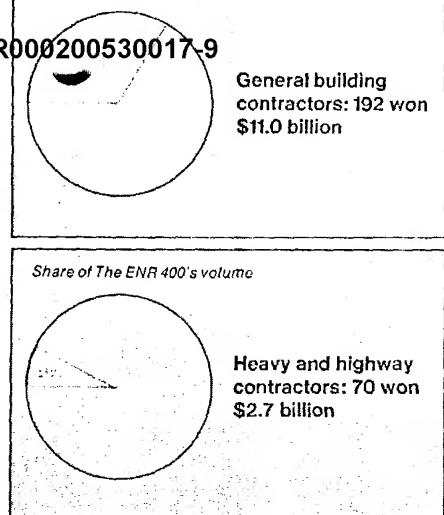
Contractor type and 1970 dollar volume	Number of companies	Profits as a percent of stockholders' equity		
		Low	Median	High
<b>Heavy &amp; highway</b>				
\$50 million & up	5	9.8	22.9	42.0
\$25 mil.-\$49 mil.	13	1.0	10.0	48.0
\$20 mil.-\$24 mil.	9	3.0	25.0	52.9
<b>Building &amp; heavy</b>				
\$100 million & up	4	1.5	6.4	29.0
\$50 mil.-\$99 mil.	10	1.9	19.8	50.5
\$25 mil.-\$49 mil.	28	2.0	16.7	66.0
\$20 mil.-\$24 mil.	6	4.0	9.0	30.0
<b>Building</b>				
\$100 million & up	9	0.4	30.0	78.5
\$50 mil.-\$99 mil.	17	1.0	21.0	60.0
\$25 mil.-\$49 mil.	45	0.5	20.0	138.4
\$20 mil.-\$24 mil.	27	1.5	20.0	165.0
<b>Industrial</b>				
\$20 million & up	1	1.0	1.0	1.0



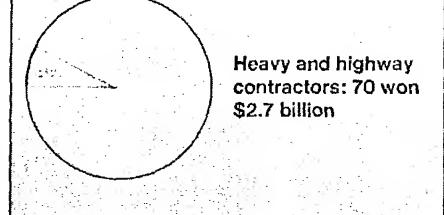
Approved For Release 2002/02/06 : CIA-RDP86-00244R000200530017-9



Share of The ENR 400's volume



Share of The ENR 400's volume



Heavy and highway contractors: 70 won  
\$2.7 billion

For heavy and highway work, total contracts rose 15% last year. But heavy and highway and building and heavy contractors saw only a 1.2% increase in their domestic volume.

**More go abroad.** Although foreign work declined in 1970, the number of contractors working abroad increased 9% to 71. European countries continue to be the most popular with contractors and West Germany leads in the tally of U.S. contractors working in European countries.

Canada again attracted more U.S. contractors than any other foreign

country. Thirty-five contractors worked there in 1970, compared to 27 in the preceding year.

**Most make profits.** Profits were a shade less widespread among The ENR 400 in 1970 than among 1969's top 400. Three out of four of the 400 report making a profit in 1970, generally basing profit on percentage of work completed. Only one in 20 reported a loss. The other 20% did not reveal whether or not they were in the black last year.

Losses by members of The ENR 400 were most frequent among heavy and building contractors. Nearly 10% of the

contractors were operating in the red last year.

Building contractors had the best record, those with profits outnumbering losses by a 31:1 ratio. Heavy and highway contractors operating in the black outnumbered those in the red by a 16:1 ratio, a ratio matched by the industrial contractors.

Profit trends were well mixed last year. Of the 264 reporting their 1969-70 profit trend, less than one-half (122) had an increase, including five who turned around from red ink in 1969 to black in 1970. But profits dropped for

## Where the 71 contractors working abroad have jobs now

### Of these 99 countries . . .

1—Algeria	34—Greece	67—Pakistan
2—Angola	35—Guam	68—Panama
3—Antilles	36—Guatemala	69—Paraguay
4—Argentina	37—Guyana	70—Peru
5—Australia	38—Honduras	71—Philippines
6—Austria	39—Hong Kong	72—Poland
7—Bahamas	40—Hungary	73—Portugal
8—Belgium	41—India	74—Puerto Rico
9—Bolivia	42—Indonesia	75—Qatar
10—Bonaire Is.	43—Iran	76—Romania
11—Botswana	44—Israel	77—Russia
12—Brazil	45—Italy	78—San Salvador
13—Brunei	46—Ivory Coast	79—Saudi Arabia
14—Bulgaria	47—Jamaica	80—Singapore
15—Burma	48—Japan	81—Solomon Is.
16—Canada	49—S. Korea	82—Somaliland
17—Canal Zone	50—Kuwait	83—South Africa
18—Ceylon	51—Kwajalein	84—Spain
19—Chile	52—Lebanon	85—Sudan
20—China	53—Liberia	86—Sweden
21—Colombia	54—Libya	87—Taiwan
22—Congo	55—Luxembourg	88—Tanzania
23—Costa Rica	56—Malta	89—Thailand
24—Cuba	57—Malawi	90—Trinidad
25—Czechoslovakia	58—Marshall Is.	91—Tunisia
26—Dominican Rep.	59—Mauritania	92—Turkey
27—Ecuador	60—Mexico	93—U.K.
28—Egypt	61—Netherlands	94—Venezuela
29—Fiji	62—New Guinea	95—S. Vietnam
30—Finland	63—New Zealand	96—Virgin Is.
31—France	64—Nicaragua	97—West Indies
32—W. Germany	65—Nigeria	98—Yugoslavia
33—Ghana	66—Okinawa	99—Zambia

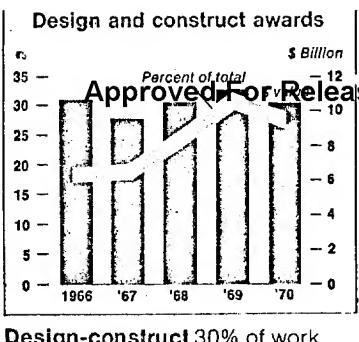
### ... Europe attracts the most contractors

(match country codes with table at left)

Bechtel	—4,5,8,12, 16,18,19,22, 25,30,31,32, 41,42,43,49, 54,59,60,61, 63,68,71,76, 79,81,83,93,
94,99 Brown & Root	—2,5,7,11, 12,16,21,26, 28,36,38,43, 48,50,54,60, 61,64,65,66, 68,69,70,74,
75,79,83,84, 93,94,95 Kaiser Eng.	—4,5,10,12, 16,32,33,45, 46,47,60,63, 70,73,89,93,94 Daniel —
7,8,16,26, 31,32,55,73, 74,84,93 Atkinson-Walsh	—5,16,47, 84,93 Lummus —12,16,19,30, 31,32,41,43, 48,49,60,61, 71,77,83,87, 93,94
45,48,56,60, 61,72,73,92, 93,98	Parsons —3,5,16,32, 43,48,60,68, 71,83,91,93 Fluor —5,9,12,16, 19,32,36,49, 60,61,62,63,
67,70,74,83, 87,93,94 Dravo	67,70,74,83, 87,93,94 Dravo —4,5,16,32, 36,45,48, 74,92 Morrison-Knudsen —5,9,12,16,
19,25,31,37, 42,43,49,62, 67,87,91,95 Foster Wheeler	19,25,31,37,42,43,49,62, 67,87,91,95 Foster Wheeler —1,2,4,5, 8,12,16,31,32,45,46,48, 73,89,92,93
Kellogg	Kellogg —4,5,12,16, 19,21,31,32, 43,48,49,61, 67,74,80,92, 93,94 J.A. Jones —9,21,23, 74,95 Klewitt —
—16 Austin	—16 Austin —4,5,8,16, 31,32,45,61, 84,93 Boise Cascade —1,8,16,31, 41,48,79,93 Arthur McKee —
4,5,8,12, 16,19,21,31, 32,45,60,61, 84,92,94,98 Blount —47 Dillingham —5,16,35,49, 62,63,89 Warren Bros. —16,84 Procon —5,6,12,13, 16,21,31,49, 61,84,89,93 Braun —5,8,16,32, 48,61,93	4,5,8,12,16,31,32,45,61, 84,92,94,98 Blount —47 Dillingham —5,16,35,49, 62,63,89 Warren Bros. —16,84 Procon —5,6,12,13, 16,21,31,49, 61,84,89,93 Braun —5,8,16,32, 48,61,93
McDermott	McDermott —5,16,42,43, 50,60,65,75, 79,80 Swindell-Dressler —5,12,16, 31,60,61 Gilbane —21
Donovan	Donovan —16 Stearns-Roger —16,44,92 Centex-Bateson —74 Perini —16,67 Geo. A. Fuller —60,74
Raymond	Raymond —32,45,47,53, 54,65,74,90, 93,94,95 Catalytic —8,16,31,32, 61,72,93 Webb —38 Koppers —84,92 Vinnell —35,60,67,71, 80,89,95 HRH —74 Blaw-Knox Chem Plants —12,16,32, 48,93,94 Rich —74 Scientific Design —31,48,60,61, 76,84,87,93 Jacobs —15,70,78 US Industries —12 Amelco —5,17,35,37, 42,49,66,71, 82,87 Zurn Eng. —27,49,64 Cunningham-Limp —8,16,32, 34,84 Zachry —58,67,74 Leavell —53,85 Pritchard —1,6,43, 63,98 Howard Wright —16 Blythe Bros. —74 Const. Aggregates —3,16,47,74 H.C. Price —5,16,31,32, 43,61,80,93 Gerrits —3,96 Yaksh —74 Sanderson & Porter —7,12,43,47, 53,64,71, 79,95 Ballenger —23,74 Stoltz —49 Burns & Roe —5,16,34,41, 51,60,66,79, 83,84,87,92 Crawford & Russell —8,61,93 Delta Eng. —4,16,54 Intercounty Const. —96 First Florida Bldg. —16 Franchi —52 Burgess —29 Eichleay —16 Reed & Martin —35,49,51 Oman —5 Teer —36,38,57, 64,88 Carpenter Bros. —17,47 Harbert —23,27,47 Nat Harrison —24,36,74

Approved For Release 2002/02/06 : CIA-RDP86-00244R000200530017-9

April 8, 1971 ENR 47



76, or one out of four, while 19 reported a loss (compared with 17 losers among the 1969 top 400). Profits held steady for one out of five.

Profit gains were most common among contractors doing heavy and building construction and industrial contractors. In both groups, twice as many firms had higher profits as had their profits reduced. Among building contractors and those contractors doing heavy and highways, the profit gainers outnumbered three to two firms reporting declining profits in 1970.

Falling profits hit contractors hardest in the \$20 million to \$24-million bracket. A little over one-half of them had drops in profits or suffered losses last year. Most of these contractors were firms doing building only or the combination of building and heavy construction work.

For the 177 members of the 400 reporting their profit margins, pretax margin on stockholders' equity in the business ranged from next to nothing for some to over 100% for three builders. Half of all the companies reporting their margins scored a 20% or better pretax return in 1970. However, about one out of eight made less than 5% before taxes.

Building contractor members of the 400 had the best rate of return on equity in 1970, as 55 out of 98 reported a return of 20% or more. Heavy and highway contractors had the next best record. About one-half of them made 20% or more and only about 10% failed to make a 5% return on investment before taxes.

By contrast, only 20 out of 48 reporting contractors doing building and heavy construction had a return as good as 20%, while one out of six didn't make as much as 5%.

**Equipment investment high.** Members of The ENR 400 have more than a \$2.4-billion investment in machinery and trucks at current replacement value.

Heavy and highway contractors have a median investment of \$300,000 per \$1 million of contracts compared to

business that invest a median \$12,000 per \$1 million of contracts.

The ratio of equipment purchases to annual volume varies markedly by size of contractor. Builders with \$100 million or more awards have a median investment of \$26,000 per million of contracts, while those with \$20 to \$24 million in awards invest a median \$16,000 per million.

Machinery and truck purchases in 1970 by heavy and highway contractors tended to increase per dollar of new awards. Those awarded \$25 million or more had a median new investment of \$52,000 per million of contracts, markedly above 1969.

But smaller heavy and highway contractors (between \$20 million and \$24 million) bought much less per dollar of contracts than their counterparts did in 1969. Their 1970 median dropped to \$27,000 per \$1 million of awards, though all but a few had substantial 1969-70 increases to show in their contract volume.

Smaller building contractors upped their buying; the largest reduced it in 1970. Median new investment jumped to \$31,000 per \$1 million of contracts for builders awarded \$20 million to \$24 million. In the higher brackets, however, median purchases fell sharply below 1969 values.

## THE ENR 400

	1970 contracts in \$ millions	Construction specialty					
	Total	Foreign	Heavy	Highway	buildings	process plants	Do design
1. Bechtel Corp., San Francisco, Calif.	1,579.0	94.0	✓	..	✓	✓	✓
2. Brown & Root, Inc., Houston, Tex.	1,344.6	187.5	✓	✓	..	✓	✓
3. Kaiser Engineers Div., Kaiser Industries, Oakland, Calif.	1,084.3	499.9	..	✓	✓	✓	✓
4. Daniel International Corp., Greenville, S. C.	730.2	76.4	..	✓	✓	✓	✓
5. Guy F. Atkinson-Walsh Const., So. San Francisco, Calif.	720.5	131.8	✓	✓	✓	✓	✓
6. United Engineers & Constructors, Inc., Philadelphia, Pa.	680.0	0	✓	..	..	..	✓
7. Carl A. Morse, Inc., New York, N. Y.	606.4	0	..	..	..	✓	✓
8. Turner Const. Co., New York, N. Y.	590.2	0	..	..	✓	✓	✓
9. The Rust Engineering Co., Pittsburgh, Pa.	563.6	272.6	✓	..	✓	✓	✓
10. The Lummus Co., New York, N. Y.	530.0	400.0	..	..	✓	..	✓
11. Tishman Realty & Const. Co., New York, N. Y.	527.2	0	..	..	..	✓	✓
12. The Ralph M. Parsons Co., Los Angeles, Calif.	504.7	196.1	..	..	..	✓	✓
13. Fluor Corp., Los Angeles, Calif.	488.7	215.3	✓	✓	✓	✓	✓
14. Dravo Corp., Pittsburgh, Pa.	444.0	104.9	✓	✓	..	✓	✓
15. Morrison-Knudsen Co., Inc., Boise, Idaho.	428.1	158.0	✓	✓	✓	✓	✓
16. Foster Wheeler Corp., New York, N. Y.	395.0	186.0	✓	..	..	✓	✓
17. Stone & Webster Eng. Corp., Boston, Mass.	391.1*	n.r.	..	..	..	✓	✓
18. Chicago Bridge & Iron Co., Oak Brook, Ill.	381.0	n.r.	✓	..	..	✓	✓
19. The M. W. Kellogg Co., Houston, Tex.	350.0	n.r.	✓	..	..	✓	✓
20. J. A. Jones Const. Co., Charlotte, N. C.	(a) 343.4	27.6	✓	✓	✓	✓	✓
21. Peter Kiewit Sons' Co., Omaha, Neb.	342.2	45.0	✓	✓	✓	✓	✓
22. The Austin Co., Cleveland, Ohio.	336.8	93.1	..	..	✓	✓	✓
23. Boise Cascade Corp., Boise, Idaho.	(b) 321.0	72.0	✓	..	..	✓	✓
24. Arthur McKee & Co., Cleveland, Ohio.	297.0	155.0	..	..	..	✓	✓
25. Blount Bros. Corp., Montgomery, Ala.	296.0	0	✓	..	✓	✓	✓
26. Dillingham Corp., Honolulu, Hawaii.	289.1	78.4	✓	✓	✓	✓	✓
27. Warren Brothers Co., Cambridge, Mass.	278.3	28.8	✓	✓	..	..	✓
28. Procon, Inc., Des Plaines, Ill.	266.8	212.6	..	..	..	✓	✓
29. C. F. Braun & Co., Alhambra, Calif.	256.0	140.0	✓	..	..	✓	✓
30. Huber, Hunt & Nichols, Inc., Indianapolis, Ind.	244.0	0	..	..	✓	✓	✓
31. The Badger Co., Inc., Cambridge, Mass.	230.0	160.0	..	..	..	✓	✓
32. S. J. Groves & Sons Co., Minneapolis, Minn.	221.1	0	✓	✓	..	..	✓
33. J. Ray McDermott & Co., Inc., New Orleans, La.	215.0	n.r.	✓	..	..	✓	✓
34. Swindell-Dressler Corp., Pittsburgh, Pa.	200.0	n.r.	✓	✓	✓	✓	✓
35. Gilbane Building Co., Providence, R. I.	197.4	0	..	..	✓	..	✓
36. Donovan Const. Co., St. Paul, Minn.	182.3	7.3	✓	..	✓	✓	✓
37. Stearns-Roger Corp., Denver, Colo.	179.4	31.1	..	..	..	✓	✓
38. Gust K. Newberg Const. Co., Chicago, Ill.	160.8	0	✓	✓	✓	✓	✓
39. Gibbs & Hill, Inc., New York, N. Y.	160.0	0	✓	..	..	✓	✓
40. Robert E. McKee, Inc., El Paso, Tex.	146.4	0	..	..	✓	..	✓
41. Centex Corp.-J. W. Baleson Co., Inc., Dallas, Tex.	145.9	14.5	..	..	✓	✓	✓
42. Perini Corp., Framingham, Mass.	143.5	9.0	✓	✓	✓	✓	✓
43. Darien & Armstrong, Inc., Detroit, Mich.	143.3	0	..	..	✓	..	✓
44. George A. Fuller Co., New York, N. Y.	137.5	0	✓	..	✓	✓	✓
45. Pittsburgh-Des Moines Steel Co., Pittsburgh, Pa.	134.1	0	✓	..	✓	✓	✓
46. Ernest W. Hahn, Inc., Hawthorne, Calif.	131.5	0	..	..	✓	✓	✓
47. Raymond International, Inc., New York, N. Y.	131.3	60.6	✓	✓	✓	..	✓
48. Catalytic Const. Co., Philadelphia, Pa.	126.8	44.8	..	..	..	✓	✓
49. Manhattan Const. Co., Muskogee, Okla.	126.6	0	..	..	✓	..	✓

Figures include prime construction contracts, shares of joint ventures and subcontracts. Parent company's total includes subsidiaries. Design-construct contracts included at erected value of plant including heavy installed equipment.\* ENR-reported. Excludes joint ventures, subcontracts, projects outside the U.S. n.r. not reported

(a) Includes William L. Crow Const. Co., Chas. H. Tompkins Co., Rea Const. Co.

(b) Includes Ebasco, Chemcor, Kidde Constructors.